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COMMONWEALTH OF MASSACHUSETTS

BEFORE THE

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

D. T. E. 00-68

JOINT PETITION OF

WESTERN MASSACHUSETTS ELECTRIC COMPANY,

NEW ENGLAND POWER COMPANY,

AND

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

FOR APPROVAL OF ASSET DIVESTITURE

DIRECT TESTIMONY OF

MARK H. COLLIN

SEPTEMBER 8, 2000

Q. Please state your full name and business address.

A. Mark H. Collin, 6 Liberty Lane West, Hampton, New Hampshire

Q. Please state your position.

A. I am the Treasurer of Fitchburg Gas and Electric Light Company ("FG&E"). I have held that position since 1992. I am also the Treasurer and Secretary of Utili Corporation, which is the parent company of Fitchburg Gas and Electric Light Company. I have held that position since 1998. My areas of responsibility are primarily in financial and corporate planning, treasury-related services and regulatory services.

Q. Have you previously testified before the Department of Telecommunications and Energy (the "Department")?

A. Yes. I have testified before the Department as well as before the New Hampshire Public Utilities Commission.

Q. What is the purpose of your testimony in this proceeding?

A. My testimony addresses the implications of the sale of Millstone Unit 3 to FG&E and its customers. Specifically, I describe the prior sale of FG&E's Millstone entitlement to Select Energy, Inc. ("Select"), the settlement with Northeast Utilities and its affiliates under which FG&E's share of Millstone Unit 3 was included in the auction conducted by the Connecticut Department of Public Utility Control ("DPUC"), and the benefits to FG&E's customers resulting from these transactions.

Q. Has FG&E previously divested its interest in Millstone Unit 3?

A. Yes. In December, 1999, FG&E received approval from the Department for its entitlements sale to Select. Fitchburg Gas and Electric Light Company, D.T.E. 99-58 (1999). The Department approved the entitlements sale as a final divestiture of FG&E's assets, including its interest in Millstone Unit 3. Id. As part of this sale, FG&E retained its ability to recover the proceeds of any claims against the

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Connecticut Light and Power Company ("CL&P"), Western Massachusetts Electric Company ("WMECO"), and Northeast Utilities (hereafter referred to collectively as "NU") as a result of the earlier outages of Millstone Unit 3. In addition, FG&E agreed that any proceeds of the sale of its ownership interest in Millstone Unit 3 would flow to Select, in consideration for Select's assumption of FG&E's purchase power contract obligations for the on-going costs associated with its generation entitlements, including Millstone Unit 3. Select did not assume FG&E's ongoing liabilities for the decommissioning of Millstone Unit 3.

Q. Is FG&E's request now for the Department to approve the sale of its ownership interest in Millstone Unit 3?

A. Yes. While FG&E had previously transferred to Select its entitlements to the output and sale proceeds from Millstone Unit 3, it now seeks approval for the final sale of the asset, pursuant to G.L. c.164, § 100 and other applicable requirements, under which it will be transferring all interests and liabilities associated with the unit.

Q. Please describe the arrangement under which FG&E is disposing of its share of Millstone Unit 3.

A. After the sale of its entitlements to Select, FG&E entered into a settlement and release agreement (the "Settlement") with NU addressing the litigation and arbitration claims filed by FG&E against those companies for damages related to the shutdown of Millstone Unit 3. Under the terms of the Settlement, NU agreed to include FG&E's minority interest in Millstone Unit 3 in the auction process to be conducted pursuant to Connecticut Public Act 98-28. The Settlement provides that FG&E will receive, exclusively for its claims, certain fixed amounts both at the effective date of the Settlement, and following the closing of the Millstone Unit 3 sale. NU agreed to indemnify FG&E from any residual liabilities or costs resulting from the sale, including environmental liabilities and decommissioning liabilities.

Q. Will FG&E's arrangements for final sale of its share of Millstone Unit 3 benefit FG&E's customers?

A. Definitely. First, under the terms of the Settlement the \$334,587 of proceeds to be realized by FG&E after the sale of the unit are designated as proceeds for settlement of its claims, rather than proceeds for sale of the unit. Accordingly, these amounts will all be retained by FG&E, rather than flowing to Select under the Entitlement Sale Agreement. Second, FG&E has already applied the first payment of \$600,000 made by NU for settlement of its claims, net of litigation expenses, to FG&E's variable cost component of its Transition Charge. The second payment of \$334,587 will be applied in the same way following the close of the sale. Customers will receive the benefits of these payments, with interest applied, following the Department's approval of FG&E's December, 2000 annual reconciliation filing. Third, the Settlement caps FG&E's decommissioning costs by eliminating any further decommissioning funding above a preset level. This decommissioning funding cap will eliminate significant future amounts that would otherwise flow through the Variable Component of the Transition Charge. The elimination of these charges from the Transition Charge will result in estimated savings in the range of \$800,000 over the life of the unit, assuming FG&E's current projected decommissioning funding requirement based on the existing site specific cost estimate.

In addition, the Settlement provides several other benefits to FG&E. For example, NU will reimburse FG&E for any capital expenditures above certain preset levels. FG&E will also be reimbursed for fuel procurement expenditures which increase the net nuclear fuel account balances above the balance at the time of Settlement. The Settlement also requires NU to pay FG&E for every month that the closing of the sale takes place after April 1, 2001.

Q. Does this conclude your testimony?

A. Yes.

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